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THIS IS NOT A DISCIPLINARY  
ACTION OR FINAL DECISION  
OF THE BOARD

8 **BEFORE THE**  
9 **CALIFORNIA BOARD OF ACCOUNTANCY**  
10 **DEPARTMENT OF CONSUMER AFFAIRS**  
11 **STATE OF CALIFORNIA**

11 In the Matter of the Statement of Issues  
Against:

Case No. SI-2011-1

12 **GORDON HUBERT FLATTUM**  
13 **6027 South Bell Street**  
14 **Tacoma, Washington 98408**

**STATEMENT OF ISSUES**

15 Respondent.

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17 Complainant alleges:

18 **PARTIES**

19 1. Patti Bowers (Complainant) brings this Statement of Issues solely in her official  
20 capacity as the Executive Officer of the California Board of Accountancy, Department of  
21 Consumer Affairs.

22 2. On or about October 26, 2009, the California Board of Accountancy, Department of  
23 Consumer Affairs received an application for a certified public accountant license from Gordon  
24 Hubert Flattum (Respondent). On or about October 22, 2009, Gordon H. Flattum certified under  
25 penalty of perjury to the truthfulness of all statements, answers, and representations in the  
26 application. The Board denied the application on August 13, 2010.

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JURISDICTION

3. This Statement of Issues is brought before the California Board of Accountancy (Board), Department of Consumer Affairs, under the authority of the following laws. All section references are to the Business and Professions Code unless otherwise indicated.

4. Section 480 provides, in pertinent part:

“(a) A board may deny a license regulated by this code on the grounds that the applicant has one of the following:

“(1) Been convicted of a crime. A conviction within the meaning of this section means a plea or verdict of guilty or a conviction following a plea of nolo contendere. Any action that a board is permitted to take following the establishment of a conviction may be taken when the time for appeal has elapsed, or the judgment of conviction has been affirmed on appeal, or when an order granting probation is made suspending the imposition of sentence, irrespective of a subsequent order under the provisions of Section 1203.4 of the Penal Code.”

5. Section 5100 provides in pertinent part:

“After notice and hearing the board may revoke, suspend, or refuse to renew any permit or certificate granted under Article 4 (commencing with Section 5070) and Article 5 (commencing with Section 5080), or may censure the holder of that permit or certificate for unprofessional conduct that includes, but is not limited to, one or any combination of the following causes:

“(a) Conviction of any crime substantially related to the qualifications, functions and duties of a certified public accountant or a public accountant.

“(d) Cancellation, revocation, or suspension of a certificate or other authority to practice as a certified public accountant or a public accountant, refusal to renew the certificate or other authority to practice as a certified public accountant or a public accountant, or any other discipline by any other state or foreign country.”

6. Section 5110 provides in pertinent part:

“(a) After notice and an opportunity for a hearing, the board may deny an application to take the licensing examination, deny admission to current and future licensing examinations, void

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1 examination grades, and deny an application for a license or registration to any individual who  
2 has committed any of the following acts:

3 “(4) Any act that if committed by an applicant for licensure would be grounds for denial of  
4 a license or registration under Section 480 or if committed by a licensee or a registrant would be  
5 grounds for discipline under Section 5100.

6 “(b) Neither the withdrawal of an application for examination, licensure, or registration, nor  
7 the expulsion or voluntary departure from an examination shall deprive the board of its authority  
8 to deny an application for, or admittance to, current or future licensing examinations, or to  
9 commence or continue a proceeding based on a violation of this article.”

10 7. California Code of Regulations, Title 16, section 99.1 provides in pertinent part:

11 “When considering the denial of a certificate or permit under Section 480 of the Business  
12 and Professions Code, . . . the board, in evaluating the rehabilitation of the applicant and his  
13 present eligibility for a certificate or permit, will consider the following criteria:

14 (1) Nature and severity of the act(s) or offense(s).

15 (2) Criminal record and evidence of any act(s) committed subsequent to the act(s) or  
16 offense(s) under consideration which also could be considered as grounds for denial, suspension  
17 or revocation.

18 (3) The time that has elapsed since commission of the act(s) or offense(s) referred to in  
19 subdivision (1) or (2).

20 (4) The extent to which the applicant or licensee has complied with any terms of parole,  
21 probation, restitution, or any other sanctions lawfully imposed against the applicant or licensee.

22 (5) If applicable, evidence of expungement proceedings pursuant to Section 1203.4 of the  
23 Penal Code.

24 (6) Evidence, if any, of rehabilitation submitted by the applicant or licensee.

25 FIRST CAUSE FOR DENIAL OF APPLICATION

26 (Conviction of a Crime)

27 8. Respondent's application is subject to denial under section 5110 subdivision (a)(4) as  
28 that section interacts with sections 480 and 5100 subdivision (a) in that Respondent was

1 convicted of a crime substantially related to the qualifications, functions and duties of a certified  
2 public accountant as follows:

3 a. On or about March 8, 1993, in the case known as United States of America v. Gordon  
4 H. Flattum (Case No. CR 91-349), Respondent was convicted of 6 counts of violating Federal law  
5 (Title 18, United States Code section 371 [conspiracy]; Title 17 Code of Federal Regulations  
6 section 240.10b-5 and Title 15, United States Code sections 78j (b) and 78ff [securities fraud];  
7 Title 18, United States Code sections 1001 and 2 [false Form 10-K]; Title 18, United States Code  
8 sections 1001 and 2 [false Form 10-Q]; Title 18, United States Code sections 1001 and 2 [false  
9 Annual Report to shareholders]; and Title 18, United States Code sections 1956(a)(2) and 2  
10 [money laundering]) based upon a finding of guilty by a jury. The circumstances are that  
11 Respondent was a consultant to Melridge Inc., a Washington corporation, and in that capacity  
12 from 1983 to 1987, Respondent was involved in a conspiracy to defraud the SEC, shareholders,  
13 bond holders and potential stock purchasers into believing that Melridge was in better financial  
14 condition than was actually the case. To accomplish the conspiracy's ends, Respondent engaged  
15 in hiding contracts that, had their existence been known, would have alerted others that Melridge  
16 was overvalued, creating the false appearance of money payments from foreign countries,  
17 falsifying documents, filing false reports with the SEC, making false statements in the annual  
18 report to shareholders, and laundering money. Respondent was sentenced to 37 months in federal  
19 prison, 3 additional years of probation and payment of a \$15,000.00 fine.

#### 20 SECOND CAUSE FOR DENIAL OF APPLICATION

21 (Revocation of a Certified Public Accountant License by Another State)

22 9. Respondent's application is subject to denial under section 5110 subdivision (a)(4), as that  
23 section interacts with 5100 subdivision (d), in that on May 27, 1994 his Washington State license  
24 to practice as a certified public accountant was revoked for a period of ten (10) years by the  
25 Washington State Board of Accountancy in The Matter of the Certificate and/or License(s) to  
26 Practice as a Certified Public Accountant of Gordon H. Flattum, CPA, Respondent; Case No.  
27 ACB-336. The revocation was based on the convictions set forth in paragraph 7, above.

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PRAYER

WHEREFORE, Complainant requests that a hearing be held on the matters herein alleged, and that following the hearing, the California Board of Accountancy issue a decision:

1. Denying the application of Gordon Hubert Flattum for a certified public accountant license;
2. Taking such other and further action as deemed necessary and proper.

DATED: June 27, 2011 Patti Bowers

PATTI BOWERS  
Executive Officer  
California Board of Accountancy  
Department of Consumer Affairs  
State of California  
*Complainant*

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